

TITLE 92 - NEBRASKA DEPARTMENT OF EDUCATION
CHAPTER 1 - RULES AND REGULATIONS GOVERNING THE AUDIT OF NEBRASKA
PUBLIC SCHOOL DISTRICTS

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* (Copies of all appendices are on file at the Nebraska Department of Education's central office in Lincoln, and are kept up-to-date with the current editions of each.)

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001 Statutory Authority

001.01 The following definitions and requirements shall govern the scope and extent of the audit of school district financial records, and the pattern of the report thereof, as required by Section 79-1089 of the Nebraska Revised Statutes (R.R.S.).

002 Definitions: As used in these rules and regulations, unless the context otherwise clearly requires, the following definitions shall prevail.

002.01 Audit shall mean examining, on a test basis, evidence supporting the assertions of management as to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, as well as evaluating the overall financial statement presentation.

002.02 Auditor shall mean a person who has an active permit from the Nebraska State Board of Public Accountancy, to engage in the practice of public accounting, either as a certified public accountant or as a public accountant, who is independent (see Appendix C, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln) with respect to the school district and its board of education. Person shall include a corporation, partnership, or other form of organization which has an active permit to engage in the practice of public accounting.

002.03 Financial (Audit) Report shall mean and include the independent auditor's report and financial statements prepared in conformity with accounting principles generally accepted in the United States of America (Appendix D, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln) or another comprehensive basis of accounting which may include the use of the cash or modified accrual basis accounting.

002.04 Federal Award shall mean Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract. Contracts to operate Federal Government owned, contractor operated facilities (GOCOs) are excluded from the requirements of this part (Appendix A, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln).

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002.05 Fiscal Year shall mean the annual period which commences on September 1, in one calendar year, and ends on August 31, in the following calendar year.

002.06 School District Finance Records subject to audit shall mean and include records of all funds and transactions of each fund maintained or required to be maintained by the school district.

003 Audit Requirements: The audit must be conducted in accordance with Auditing Standards Generally Accepted in the United States of America and the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Appendix C, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln).

003.01 If a separate management letter is referenced as a part of the Report on the Internal Control and/or the Report on Compliance with laws and regulations it shall be filed as part of the financial (audit) report.

003.02 All school districts that expend \$750,000 or more in a fiscal year in federal awards (including the value of commodities provided by the U.S. Department of Agriculture) are also required to have an audit conducted and reported in accordance with 2 CFR Part 200 Subpart F – Audit Requirements (Appendix A, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln), and the American Institute of Certified Public Accountants Audit and Accounting Guide entitled Audits of State and Local Governmental Units (Appendix B, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln).

003.03 The tests for compliance required for the audit shall include those necessary to conform to current Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards (Appendix C, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln). The audit shall include tests for compliance with the calculation of Average Daily Membership reported on the Annual Statistical Summary Report as specified in 92 NAC 2, requirements of the Nebraska Budget Act (commencing with Section 13-501 R.R.S.), and the Tax Equity and Educational Opportunities Support Act (commencing with Section 79-1001 R.R.S.).

003.03A All compliance deviations related to Average Daily Attendance and Average Daily Membership (as those two elements are described in Section 006 of 92 NAC 2), the Nebraska Budget Act and the Tax Equity and Educational Opportunities Support Act shall be included in the report on compliance required by Government Auditing Standards (Appendix C, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln) or a letter to management (the School District Board of Education) and must be addressed by the district per Section 003.05 of this Chapter.

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003.03B Average Daily Attendance (ADA) and Average Daily Membership (ADM) Testing Requirements: Written documentation of the testing done of the ADA and ADM must be completed and submitted with all school district Annual Financial Reports. The documentation must state confirmation of the following:

003.03B1 Documentation of the District's policies and procedures for collecting student membership and attendance data.

003.03B2 The District is following its policies and procedures for collecting student census data.

003.03B3 Attendance at the District is collected at least daily and calculated to the nearest tenth of a day.

003.03B4 The District maintains a cumulative attendance and membership record of each student.

003.03B5 The cumulative attendance and membership records contain the date of enrollment, number of days or partial days in attendance and absent during each school year enrolled, and the date of withdrawal or graduation.

003.03B6 The totals reported by the District on its' quarterly Student Summary Attendance report have been traced back to the District's census recordkeeping system for all four quarters included in the fiscal year.

003.03C A Statement must also be written for the following: A sample pool of students attendance records must be tested for the school year and must be traced to the students' enrollment files to verify that the sample students' are enrolled as students' of the District for the dates claimed in the attendance record.

003.03C1 If applicable: Reportable instances of noncompliance were included in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.

003.04 Financial (Audit) Report Format. The financial reports and schedules should include:

003.04A A report cover, index or table of contents, independent auditors' reports (financial, compliance and internal control), Management's Discussion and Analysis (MD&A), government-wide and fund financial statements (including notes thereto), other required supplementary information (RSI), other supplemental schedules and any additional information as may be required by the Nebraska Revised Statutes and reporting standards as may be appropriate to the cash or modified accrual basis. If the financial statements are prepared on a basis of accounting other than the cash basis,

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the financial report must include supplementary schedules of cash receipts, disbursements and fund balances of all funds maintained by the district, which schedules shall be reported on as audited accompanying information.

003.04B The financial (audit report) shall be on letter-size pages.

003.05 All school districts shall file with the Commissioner of Education on or before November 5 a copy of the financial (audit) report. All school districts shall file with the Commissioner of Education on or before January 31, a copy of the auditor's letter to management, together with the district's responses, and any responses to compliance issues resulting from the audit. The financial (audit) report for all Class II, III, IV, V, and VI school districts must also be filed with the Auditor of Public Accounts on or before November 5.

003.06 If a school district that was in existence any time during the fiscal year dissolves and merges with one or more school districts prior to the completion of an independent financial (audit) report then:

003.06A The school district that receives the largest portion of the dissolved district's valuation is responsible, in cooperation with the dissolving district's Board of Education, for obtaining and filing financial (audit) report for the dissolved district.

003.06B The dissolved district's financial (audit) report shall cover the entire fiscal year (September 1 through August 31).

004 Penalties

004.01 When any school district fails to file a financial (audit) report with the Nebraska Department of Education and, if required, any other State government agency, the Commissioner shall, after notice to the district and an opportunity to be heard, direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until such time as the district has complied with Section 79-1089 R.R.S. and this Chapter. In addition, the Commissioner shall direct the county treasurer to withhold all school money belonging to the school district until such time as the Commissioner notifies the county treasurer of compliance by the district with Section 79-1089 R.R.S. and this Chapter. The county treasurer shall withhold such money as directed.

004.02 All independent auditors, including corporations, partnerships, or other form of organization are subject to the rules, regulations and sanctions of the Nebraska State Board of Public Accountancy.